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SUBJECT: CODEL PELOSI URGES FM SHALOM NOT TO ALLOW  
SETTLEMENT EXPANSION, OUTPOSTS AND THE FENCE TO DERAIL PEACE

Classified By: Ambassador Daniel C. Kurtzer for Reasons 1.4 (B) and (D)

1. (C) SUMMARY: In a March 21 meeting with Codel Pelosi, Foreign Minister Shalom spoke positively about the direction of Israeli relations with the PA and other Arab neighbors. While lauding some of President Abbas's steps, he said the PA had failed so far to resolve to dismantle terrorist infrastructure. Several members of the Codel expressed concern that settlement expansion, a failure to deal with outposts, and construction of the separation barrier could impede momentum towards peace, an outcome they urged the GOI to avoid. Shalom defended the fence as a temporary and reversible measure for saving lives. He noted that reports suggesting that the GOI might legalize outposts referred only to outposts built before March, 2001, and thus were not a subject of Israel's roadmap commitments. Israeli settlement expansion, he suggested, is for natural growth. On regional issues, Shalom said Arab leaders are now more willing to deal with Israel, and underlined Israel's interest in seeing Syria withdraw from Lebanon. He underlined, as well, what he termed the Iranian nuclear threat, and Israel's desire to find a diplomatic solution to it. He told the Codel that the U.S. could send a positive signal to Israelis by lifting the warning in its travel advisory for Israel. END SUMMARY.

2. (SBU) Foreign Minister Silvan Shalom reviewed the state of relations with the Palestinians and Arab states, Lebanon/Syria, and Iran in a March 21 meeting with Codel Pelosi and the Ambassador. He also complained about the State Department travel advisory for Israel. Codel members were House Minority Leader Nancy Pelosi and Representatives Darrell Issa, Henry Waxman, George Miller, Edward Markey, Anna Eshoo, James McGovern, and Linda Sanchez.

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Assessing Progress with the Palestinians  
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3. (C) Shalom said Israel is trying hard to make progress with the PA, and pointed to Israel's commitments to release prisoners and turn over security authority in five West Bank towns. He credited President Abbas with stopping the firing of Qassam rockets, delivering the right message in public, and stopping incitement on television. He criticized Abbas, however, for not moving forward with the dismantlement of terrorist infrastructure, and for not ending incitement in schools and textbooks.

4. (C) Rep. Waxman commented that the Codel had just heard PLO negotiator Sa'eb Erekat complain that the PA has difficulty convincing the Palestinian people of Israel's peaceful intentions when the GOI is proceeding with settlement expansion and fence construction, and not stopping settlers from erecting outposts. The PA needs to have confidence in Israel's commitment to the peace process, just as Israel needs confidence in the PA commitment to combat terrorism, Waxman said.

5. (C) Rep. Miller noted reports that day from the Israeli media claiming that PM Sharon intends to "legalize" outposts in exchange for support from disengagement opponents on the 2005 budget. "We all know political bootstrapping when we see it," Miller commented, but expressed concern that the parties to the Israeli-Palestinian conflict are "falling back into the same old patterns." Hope expressed in other parts of the region about the peace process, he said, is "less obvious" as one gets closer to Israel.

6. (C) Noting the strong messages of support for Israel that she said she received from her constituents before leaving on this trip, Rep. Eshoo expressed her hope that the settlements, outposts and fence issues would not become obstacles to peace. She said the Codel was savvy enough to recognize the "theatrics" in PA complaints about Israeli actions, but urged the GOI not to allow outposts to be "a finger in the eye" of the Palestinians.

7. (C) Observing that this is not the first "moment of hope" for the peace process, Rep. McGovern commented that peace depends on Abbas's ability to show that he can "control a viable, contiguous state." The GOI, he said, therefore needs to help Abbas enhance his credibility by allowing him to

demonstrate that his leadership has meant a "difference on the ground."

18. (C) FM Shalom defended Israel's construction of the separation barrier as a temporary and reversible action that has already demonstrated its value in saving lives. Israel, he said, has been targeted by 22,000 terrorist acts in the course of the current Intifada, and terrorists continue to plan attacks daily. No other state would have hesitated to build a barrier after only 22 attacks, he asserted, and alluded to the fence along California's border with Mexico.

19. (C) On outposts, Shalom pointed out that the media reports cited by Rep. Miller spoke of the GOI legalizing only those outposts erected before March, 2001. The roadmap, however, obligates Israel to dismantle outposts erected since March, 2001. Shalom then pointed to the political resistance PM Sharon faces in moving forward with disengagement. Rep. Miller responded that GOI leadership cannot allow opponents to derail the disengagement process. Rep. Issa added that democratic governments cannot use the excuse that they are democracies to avoid fulfilling international commitments such as those in the roadmap. Shalom responded that the GOI is exceeding its roadmap commitments by taking steps not called for in the roadmap, such as releasing prisoners and discussing development of a Gaza seaport. He commented, as well, that Israel has built no new settlements for years. The GOI, however, cannot ignore that families living in existing settlements are growing and need more housing.

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Regional Issues  
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10. (C) Shalom said that the atmosphere for Israel's relations with the Arab world has improved. The combination of Arafat's death, Saddam's removal, and Qaddafi's change of course has left Arab leaders feeling freer to deal with Israel, he said. He pointed to the Iraqi and Palestinian elections, Mubarak's opening of Egypt's presidential election, and events in Lebanon as ominous signs to authoritarian Arab regimes. The fact that ordinary Lebanese are now "asking for their freedom and sovereignty" is potentially good news for Israel, he continued. Israel has no conflict with Lebanon and always supported an end to the Syrian occupation of Lebanon. Syria, he charged, runs the world's second largest drug industry (after Colombia) in Lebanon.

11. (C) Turning to Iran, Shalom commented that most of the world realized only recently that Iran's development of a nuclear capability and its support for terrorism is a problem for everyone, not just Israel. Iran's development of missiles capable of reaching European capitals awoke the Europeans to the threat that Iran's "tyrannical regime could attack the whole world." The EU-3 effort to deal with the threat, while putatively based on a carrot-and-stick approach, appears to be all carrot and no stick, he commented, calling for referral of Iran to the UN Security Council.

12. (C) Rep. Pelosi noted that the Codel, during a visit to Beirut the day before, had heard Lebanese leaders say that resolution of the Israeli-Palestinian conflict would have a huge, positive impact on Lebanon. Mubarak and King Abdallah had both described themselves as more optimistic than ever about prospects for peace. On Iran, she cautioned that Russia, China and the Europeans are unlikely to be of significant help in dealing with Iran's nuclear program because all have incentives for good relations with Iran, such as a need for Iranian oil and an interest in military sales to Iran. Just as the U.S. and Israel expect these countries to avoid supplying Iran with WMD-related technology, so does the U.S. expect our ally, Israel, to avoid transferring technology to China that could ultimately be turned against U.S. forces. Issa echoed the latter point, commenting that friends must look out for friends when selling weapons to third countries.

13. (C) Pointing to Israel's foresight in destroying Iraq's Osirak nuclear facility in 1981, Rep. Markey asked whether Israel now "reserves the right" to respond to a similar nuclear threat from Iran. Shalom responded that Israel is now trying to pursue a diplomatic solution. While concurring in general with Rep. Pelosi's comments about Russian and Chinese interests in preserving good relations with Iran, he commented that Russia has become more cooperative in efforts to block the Iranian nuclear program. While Iran may believe that it "bought" China's vote on the UNSC with a large oil deal, China might not cast its veto in Iran's favor, Shalom suggested, because the PRC also needs to preserve its trading relationship with the West.

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Travel Advisory  
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¶14. (SBU) Shalom called for the USG to lift the warning about travel to Israel in the State Department travel advisory. Given the changes taking place in the Israeli-Palestinian relationship, and the difficult decision Israel has taken to leave Gaza, a change in the travel advisory, he asserted, would show the Israeli population that its efforts are bearing fruit. He said that other governments claim that they cannot realistically be expected to change their travel advisories for Israel before the USG does so. Rep. Issa commented that the HIRC is looking into possible changes in the travel advisory process. He said he views the process as "flawed" because advisories, apart from urgent updates, are reviewed only annually. The process should find a way, he said, to "reward the outbreak of peace."

¶15. (U) The Codel did not clear this cable.

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